

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** July 8, 2009  
**POSITION:** Oppose

**BILL NUMBER:** SB 10  
**AUTHOR:** M. Leno

### **BILL SUMMARY:** Voter-Approved Local Assessment: Vehicles

Current state law imposes a vehicle license fee (VLF), assessed annually, on individuals and businesses in order to register a vehicle within the state. The fees are collected by the Department of Motor Vehicles (DMV) and are disbursed, less the costs of collection, to county governments. Currently, the fee is calculated at 1.15 percent of the market value of a vehicle, including a .5 percent temporary surcharge of which .35 percent accrues to the state General Fund and .15 percent accrues to the Local Safety and Protection Account.

Under existing law, counties receive an allocation from the state General Fund that represents the difference between the then current VLF rate and the two percent rate that was in place in 2003, when the rate was reduced to .65 percent.

This bill would:

- Allow a county, or a city and county, subject to approval of two-thirds of its board of supervisors and a majority of voters, to impose a local VLF, which when added to the state VLF then in effect, would not exceed two percent of a vehicle's value, on any eligible vehicle registered to an address within the county or city and county.
- Require a local government imposing a local VLF to contract with DMV to administer and collect the local VLF.
- Direct the Franchise Tax Board (FTB) to report to DMV the estimated General Fund revenue loss for the preceding tax year as a result of local VLF tax deductions taken by residents of any county that has imposed a local VLF.
- Require DMV to remit an amount equal to the FTB estimated revenue loss from the local VLF account to the State Controller's Office for deposit into the state General Fund.

### **FISCAL SUMMARY**

This bill could result in a General Fund revenue loss of \$180 million in personal income and business tax receipts in 2011-12 and \$10 million in 2012-13. Those FTB estimates assume all counties, including the City and County of San Francisco, would begin imposing a VLF fee on January 1, 2011. Based on this assumption, the proposed local fee would begin to be deducted on the 2011 income tax returns that are filed in 2012. Revenue losses from tax deductions for any tax year would be reimbursed to the General Fund in the succeeding year.

The estimated DMV implementation costs for this bill would be \$543,000 in 2009-10, and \$112,000 ongoing. These costs do not include presently unquantifiable, but potentially significant, costs associated with the extensive reprogramming of DMV's computer systems required to apply varying fee rates as may be determined by individual counties, or to report the aggregate fees paid by each separate person or entity:

FTB estimates its reporting costs associated with this bill would be minor and absorbable.

Analyst/Principal (0762) C. Hill	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

<b>BILL ANALYSIS</b>	Form DF-43 (Rev 03/95 Buff)
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## COMMENTS

Finance opposes this bill for the following reasons:

- This bill would result in costs not contained in the Budget Act of 2009, and a possibly significant loss of General Fund revenue in 2010-11.
- Recent increases to the registration and vehicle license fees have raised the average cost to register an automobile in this state from \$110 to \$194. Further fee increases would result in additional costs to California taxpayers and businesses in a time of economic uncertainty.
- Any local VLF collected through DMV's annual vehicle registration process could be perceived by taxpayers as a further increase in state taxes.
- This bill could result in widely disparate costs between counties to register identical vehicles in this state.
- Finance concurs with DMV that, given its present IT workload, it is unclear that DMV would be capable of implementing this bill within the prescribed time frames.

		SO	(Fiscal Impact by Fiscal Year)						
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	Code
1730/FTB	SO	No		-----	See Fiscal Analysis	-----			0001
2740/DMV	SO	No		-----	See Fiscal Analysis	-----			0044
1100/Majr Tax Lic	RV	No		--	U	-\$180,000	U	-\$10,000	0001
<u>Fund Code</u>	<u>Title</u>								
0001	General Fund								
0044	Motor Vehicle Account, STF								